

that the label may be removable as specified in 40 CFR 1068.45(b).

(2) You may not resell the engine. For components other than the engine block, you may generate revenue from the sale of the components that you recover, or from the sale of new engines containing these components. You may also use components other than the engine block for engine rebuilds as otherwise allowed under the regulations. You may use the engine block from an engine that is exempted under this paragraph (c) only to make a new engine, and then only where such an engine has a separate identity from the original engine.

(3) Once the engine has reached its final destination, you may stop collecting records describing the engine's final disposition and how you use the engine. This does not affect the requirement to maintain the records you have already collected under 40 CFR 1068.215. This also does not affect the requirement to maintain records for new engines.

[73 FR 59259, Oct. 8, 2008, as amended at 75 FR 23025, Apr. 30, 2010]

#### **§ 1054.610 What is the exemption for delegated final assembly?**

The provisions of 40 CFR 1068.261 related to delegated final assembly do not apply for handheld engines certified under this part 1054. The provisions of 40 CFR 1068.261 apply for nonhandheld engines, with the following exceptions and clarifications:

(a) Through the 2014 model year, you may use the provisions of this section for engines you sell to a distributor, where you establish a contractual arrangement in which you designate the distributor to be your agent in all matters related to compliance with the requirements of this section. Identify each of the distributors you intend to designate as your agent under this paragraph (a) in your application for certification. You may continue to use the provisions of this paragraph (a) this for later model years for specific distributors if we approve it based on your clear and convincing demonstration that each distributor can be expected to comply fully with the requirements of this section and 40 CFR 1068.261. We may set additional condi-

tions beyond the provisions specified in this section to ensure that all engines will be in a certified configuration when installed by the equipment manufacturer.

(b) If you identify distributors as your agents under paragraph (a) of this section, you must perform or arrange for audits of all participating distributors and equipment manufacturers based on the following auditing rate instead of the provisions specified in 40 CFR 1068.261(d)(3)(i) and (ii):

(1) If you sell engines to 48 or more equipment manufacturers under the provisions of this section, you must annually perform or arrange for audits of twelve equipment manufacturers to whom you sell engines under this section. To select individual equipment manufacturers, divide all the affected equipment manufacturers into quartiles based on the number of engines they buy from you; select equal numbers of equipment manufacturers from each quartile each model year as much as possible. Vary the equipment manufacturers selected for auditing from year to year, though audits may be repeated in later model years if you find or suspect that a particular equipment manufacturer is not properly installing aftertreatment devices.

(2) If you sell engines to fewer than 48 equipment manufacturers under the provisions of this section, set up a plan to perform or arrange for audits of each equipment manufacturer on average once every four model years.

#### **§ 1054.612 What special provisions apply for equipment manufacturers modifying certified nonhandheld engines?**

The provisions of this section apply for all emission families through the 2014 model year; starting with the 2015 model year, these provisions are limited to small-volume emission families.

(a) *General provisions.* If you buy certified nonhandheld engines for installation in equipment you produce, but you install the engines such that they use intake or exhaust systems that are not part of the originally certified configuration, you become the engine manufacturer for those engines and must certify that they will meet emission standards. We will allow you to utilize

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the provisions for simplified certification specified in paragraph (b) of this section, as long as your design stays within the overall specifications from the original engine manufacturer (such as exhaust backpressure) and you use a catalyst as described in the original engine manufacturer's application for certification.

(b) *Simplified certification.* You must perform testing with an emission-data engine to show that you meet exhaust emission standards; however, you may use the deterioration factor from the original engine manufacturer. The production-line testing requirements in subpart D of this part do not apply for engines certified under this section. You must meet all the other requirements that apply to engine manufacturers for engines subject to standards under this part. The engine family must have the same useful life value specified by the original engine manufacturer for that engine. In your application for certification describe any differences between the original engine manufacturer's design and yours and explain why the deterioration data generated by the original engine manufacturer is appropriate for your configuration.

(c) *Engine exemption.* As an engine manufacturer, you may produce non-conforming engines for equipment manufacturers as allowed under this section. You do not have to request this exemption for your engines, but you must have written assurance from equipment manufacturers that they need a certain number of exempted engines under this section. Add a removable label to the engines as described in 40 CFR 1068.262.

### § 1054.615 What is the exemption for engines certified to standards for Large SI engines?

(a) An engine is exempt from the requirements of this part if it is in an emission family that has a valid certificate of conformity showing that it meets emission standards and other requirements under 40 CFR part 1048 for the appropriate model year.

(b) The only requirements or prohibitions from this part that apply to an engine that is exempt under this section are in this section.

(c) If your engines do not have the certificate required in paragraph (a) of this section, they will be subject to the provisions of this part. Introducing these engines into U.S. commerce without a valid exemption or certificate of conformity violates the prohibitions in 40 CFR 1068.101(a).

(d) Engines exempted under this section are subject to all the requirements affecting engines under 40 CFR part 1048, including evaporative emission standards. The requirements and restrictions of 40 CFR part 1048 apply to anyone manufacturing these engines, anyone manufacturing equipment that uses these engines, and all other persons in the same manner as if these were nonroad spark-ignition engines above 19 kW.

(e) Engines exempted under this section may not generate or use emission credits under this part 1054.

### § 1054.620 What are the provisions for exempting engines used solely for competition?

The provisions of this section apply for new engines and equipment built on or after January 1, 2010.

(a) We may grant you an exemption from the standards and requirements of this part for a new engine on the grounds that it is to be used solely for competition. The requirements of this part, other than those in this section, do not apply to engines that we exempt for use solely for competition.

(b) We will exempt engines that we determine will be used solely for competition. The basis of our determination is described in paragraphs (c) and (d) of this section. Exemptions granted under this section are good for only one model year and you must request renewal for each subsequent model year. We will not approve your renewal request if we determine the engine will not be used solely for competition.

(c) Engines meeting all the following criteria are considered to be used solely for competition:

(1) Neither the engine nor any equipment containing the engine may be displayed for sale in any public dealership or otherwise offered for sale to the general public. Note that this does not preclude display of these engines as long